

Message Text

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70

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 FRB-03 OPIC-03 AID-05 CIEP-01

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FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC PRIORITY 1238

INFO AMCONSUL CALI

AMCONSUL MEDELLIN

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E.O. 11652: NA

TAGS: EINV EFIN CO

SUBJECT: GOC DECREE ON FOREIGN BANK NATIONALIZATION

REF: BOGOTA 1666

1. GOC ANNOUNCED DECREE FEB 24 DESIGNED TO CONVERT ALL FOREIGN-OWNED BANKS AND FINANCIAL INSTITUTIONS TO MIXED FIRMS (AT LEAST 51 PERCENT DOMESTIC CAPITAL). DECREE DOES NOT ATTEMPT TO DEFINE LEGAL REQUIREMENTS FOR SUCH TRANSFORMATION, BUT MERELY CITES DECISION 24 OF ANDEAN PACT AND SETS UP COMMISSION TO DETERMINE MECHANICS. COMMISSION COMPOSED OF FINANCE MINISTER BOTERO, PLANNING OFFICE HEAD URRUTIA, BANKING SUPERINTENDENT, JURIDICAL SECRETARY TO PRESIDENT AND HEAD OF BANKING ASSOCIATION. THE COMMISSION IS AUTHORIZED TO NEGOTIATE AGREEMENT ON DIVESTITURE WITH THE BANKS INVOLVED AND TO DRAW UP "PROPOSED LEGISLATION AND REGULATIONS REGARDING LIMITS OR PROHIBITIONS FOR FOREIGN INVESTMENT IN COMMERCIAL BANKING AND FINANCIAL INSTITUTIONS".

2. DECREE MAKES NO REFERENCE TO DECREE LAW 2719

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WHICH SPECIFICALLY EXCLUDES COMMERCIAL BANKS AND OTHER FINANCIAL INSTI-

TUTIONS *ROM DIVESTITURE PROVISIONS OF
ARTICLE 42 OF DECISION 24. (SEE BOGOTA A-66, APRIL
2, 1974). THIS DECREE LAW WOULD APPEAR TO TAKE PRECEDENCE
OVER AN ADMINISTRATIVE DECREE AND THEREFORE IF BANKS
DO NOT WISH TO NEGOTIATE WITH COMMISSION, LEGISLATION
WOULD PRESUMABLY BE REQUIRED IF DIVESTITURE IS TO BE
ACHIEVED.

3. IF APPLIED, DIVESTITURE REQUIREMENT WOULD AFFECT
FIRST NATIONAL CITY AND BANK OF AMERICA. DECREE IS UNCLEAR
RE POSSIBLE CHANGE OF STATUS FOR RESIDENT REPRESENTATIVE
OFFICES (16 US BANKS AT PRESENT), BUT EMBASSY WOULD
EXPECT SOME FORM OF RESTRICTION EVENTUALLY TO FOLLOW.
COLOMBIAN BANKING ASSOCIATION, WHICH REPORTEDLY DOES NOT
SUPPORT DIVESTITURE MOVE, HAS BEEN MEETING TODAY TO CONSIDER
DECREE AND REPRESENTATIVES OF US BANKS THUS NOT
AVAILABLE FOR COMMENT. REACTIONS WILL BE REPORTED BY
SEPTTEL.
VAKY

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